Calendar No. 444

99TH CONGRESS *1st Session* | SENATE | REPORT 99-205

AMENDING THE PANAMA CANAL ACT OF 1979 REGARDING THE PAYMENT OF INTEREST ON THE U.S. INVESTMENT IN THE PANAMA CANAL

DECEMBER 3 (legislative day, DECEMBER 2), 1985.—Ordered to be printed

Mr. THURMOND (for Mr. GOLDWATER), from the Committee on Armed Services, submitted the following

REPORT

[To accompany H.R. 664]

The Committee on Armed Services, to which was referred the bill (H.R. 664) to amend the Panama Canal Act of 1979 regarding the payment of interest on the U.S. investment in the Panama Canal, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE

The purpose of H.R. 664 is to stop the erosion of the U.S. investment in the Panama Canal that is occurring as a result of ambiguity in the Panama Canal Act of 1979, Public Law 96-70 (the act). The bill accomplishes this purpose by requiring that the portion of the tolls and other revenues collected by the Panama Canal Commission [PCC] and attributable to interest on the U.S. investment be deposited into the General Treasury as miscellaneous receipts. Under current law, these revenues are deposited into the Panama Canal Commission fund, resulting in a reduction of the U.S. investment in the canal.

BACKGROUND, LEGISLATIVE HISTORY, AND SECTION-BY-SECTION ANALYSIS

The report of the Committee on Merchant Marine and Fisheries of the House of Representatives fully sets forth the background, legislative history, and a section-by-section analysis of the bill. This is House Report 99-53, 99th Congress, 1st session. Those interested

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in such background, legislative history, and section-by-section analysis are referred to the House report.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, November 22, 1985.

Hon. BARRY GOLDWATER,
Chairman, Committee on Armed Services, U.S. Senate, Russell Senate Office Building, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate for H.R. 664, a bill to amend the Panama Canal Act of 1979 with respect to the payment of interest on the investment of the United States.

If you wish further details on this estimate, we will be pleased to provide them.

With best wishes,
Sincerely,

RUDOLPH G. PENNER.

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE

1. Bill number: H.R. 664.

2. Bill title: A bill to amend the Panama Canal Act of 1979 with respect to the payment of interest on the investment of the United States.

3. Bill status: As ordered reported by the Senate Committee on Armed Services, November 5, 1985.

4. Bill purpose: The bill would require the portion of tolls collected from the Panama Canal to cover the interest on the U.S. investment in the canal to be deposited into the general fund of the Treasury. Under current law, the Panama Canal Commission computes interest on the Federal investment based on a rate established by the Secretary of the Treasury, and recognizes this as an operating cost. The Commission then collects tolls based on this and other estimated operating costs and deposits the revenue in the Panama Canal Commission fund in the Treasury. However, because there is no mechanism to transfer the amount of the interest payment from the Commission fund to the general fund of the Treasury, the funds collected for the interest payment remain in the unappropriated balance of the Panama Canal Commission fund.

Furthermore, because of the methodology used to calculate the U.S. investment, the amount of interest accumulating in the unappropriated balance is reducing the amount of the U.S. investment. The Panama Canal Act of 1979 states that the U.S. investment in the canal will be increased by appropriations to the Panama Canal Commission and decreased by funds deposited into the Panama Canal Commission fund. H.R. 664 would halt this erosion of the U.S. investment.

5. Estimated cost to the Federal Government: By maintaining the value of the U.S. investment in the Panama Canal, H.R. 664 would increase the amount of interest payable on that investment.

Consequently, Panama Canal tolls would have to be higher in order to generate sufficient receipts to cover the interest costs. Such tolls are shown as offsetting receipts on the spending side of the budget. Therefore, the budget impact of the bill would appear as an increase in receipts, as shown in the following table.

[By fiscal years, in millions of dollars]

	1986	1987	1988	1989	1990
Estimated budget authority	−0.2	−0.9	−1.4	−1.7	−1.8
Estimated outlays	−.2	−.9	−1.4	−1.7	−1.8

The impact of this bill falls within budget function 400.

Basis of estimate: The bill is assumed to take effect January 1, 1986. In the absence of this bill, the investment will continue to decrease each year by the amount of the interest credited to the unappropriated balance of the Commission fund; this will, in turn, diminish the amount of the annual interest obligation in the future. H.R. 664 would prevent further decreases in the investment and, therefore, would result in an increase in receipts on the Federal budget. Estimated interest obligations reflect an investment base of $76.9 million at the beginning of fiscal year 1986, and interest rate assumptions consistent with the first concurrent resolution on the budget—fiscal year 1986.

The deposit of interest income into the general fund of the Treasury instead of the Panama Canal Commission fund would not affect the budget totals.

6. Estimated cost to State and local governments: None.

7. Estimate comparison: None.

8. Previous CBO estimate: On April 18, 1985, CBO prepared a cost estimate for H.R. 664, as ordered reported by the House Committee on Merchant Marine and Fisheries. The House and Senate bills are identical. However, the House estimate assumed an earlier enactment date (October 1, 1986) and higher interest rates, and the estimated savings reflect these differences.

9. Estimate prepared by: Heidi E. Zukoski.

10. Estimate approved by: C.G. Nuckols, for James L. Blum, Assistant Director for Budget Analysis.

Regulatory Impact

Paragraph 11(b) of rule XXVI, the Standing Rules of the Senate, requires that a report on the regulatory impact of the bill be included in the report on such bill. The committee finds that in the case of this legislation, there is no regulatory impact.

Changes in Existing Law

In compliance with paragraph 12 of rule XXVI, the Standing Rules of the Senate, changes in existing laws proposed to be made by the bill are shown below. Existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, and existing law in which no change is proposed is printed in roman.

PANAMA CANAL ACT OF 1979, PUBLIC LAW 96-70, 93 STAT. 452

TITLE I.—ADMINISTRATION AND REGULATIONS

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CHAPTER 3.—FUNDS AND ACCOUNTS

Subchapter I—Funds

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PANAMA CANAL COMPANY FUNDS; COMMISSION FUNDS

SEC. 1302. (a) * * *

(b) On or after the effective date of this Act, tolls for the use of the Panama Canal and all other receipts of the Commission that, before such effective date, would have been credited to the account appearing on the books of the Governments as the "Panama Canal Company Fund (38-4060-0-403)" shall be deposited in the Treasury in the Panama Canal Commission Fund; *except that the part of the tolls and other receipts that covers interest on the investment of the United States in the Panama Canal pursuant to sections 1602 and 1603 of this Act shall be deposited into the Treasury as miscellaneous receipts.*

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CHAPTER 6.—TOLLS FOR USE OF THE PANAMA CANAL

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CALCULATION OF INTEREST

SEC. 1603. (a) * * *

(b) The investment of the United States described in subsection (a) of this section—

(1) shall be increased by—

(A) the amount of expenditures from appropriations to the Commission made on or after the effective date of this Act, and

(B) the value of property transferred to the Commission by any other department or agency of the United States, as determined in accordance with subsection (c) of this section; and

(2) shall be decreased by—

(A) the amount of the funds covered into the [Treasury] *Panama Canal Commission Fund* pursuant to section 1302 of this Act.

(B) the value of property transferred to the Republic of Panama pursuant to this or any other Act on or after the date on which the Panama Canal Treaty of 1977 enters into force, and

(C) the value of property transferred by the Commission to any other department or agency of the United States.

COMMITTEE ACTION

On November 5, 1985, the committee voted without objection to favorably report H.R. 664.

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